B)

रजिस्ट्री सं० डी० 221 REGISTERED No. D 221

भारत का राजपत्र
The Gazette of India

असाधारण

EXTRAORDINARY

भाग 2—खण्ड 2

PART II—Section 2

प्राधिकार से प्रकाशित

PUBLISHED BY AUTHORITY

सं० 54] नई दिल्ली, सोमवार, 18 नवम्बर, 1968/27 कार्तिक, 1890

No. 54] NEW DELHI, MONDAY, NOVEMBER 18, 1968/KARTIKA 27, 1890

इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके ।

Separate paging is given to this Part in order that it may be filed as a separate compilation.

RAJYA SABHA

The following Report of the Select Committee of the Rajya Sabha on the Bill further to amend the Banking Regulation Act, 1949, so as to provide for the extension of social control over banks and for matters connected therewith or incidental thereto, and also further to amend the Reserve Bank of India Act, 1934, and the State Bank of India Act, 1955 was presented to the Rajya Sabha on Monday, the 18th November, 1968.

Composition of the Select Committee

Members

1. Shri B. K. P. Sinha—*Chairman*
2. Shri R. T. Parthasarathy
3. Shri Y. Adinarayana Reddy
4. Shri Joachim Alva
5. Shri Suresh J. Desai

6. Shri A. G. Kulkarni
7. Shri M. M. Sur
8. Shri Syed Hussain
9. Shri C. D. Pande
10. Shri A. C. Gilbert
11. Shri Ram Singh
12. Shri N. K. Shejwalkar
13. Shri N. P. Chaudhari
14. Shri Banka Behary Das
15. Shri Balachandra Menon

REPRESENTATIVES OF THE MINISTRIES

Ministry of Law

Shri S. K. Maitra, Joint Secretary and Legislative Counsel.

Ministry of Finance

Shri S. S. Shiralkar, Additional Secretary.
Shri D. N. Ghosh, Deputy Secretary.
Shri R. M. Halasyam, Legal Adviser, Reserve Bank of India

SECRETARIAT

Shri S. S. Bhalerao, Joint Secretary.
Shri S. P. Ganguly, Deputy Secretary.
Shri Kishan Singh, Under Secretary.

REPORT OF THE SELECT COMMITTEE

I, the Chairman of the Select Committee to which the Bill* further to amend the Banking Regulation Act, 1949, so as to provide for the extension of social control over banks and for matters connected therewith or incidental thereto, and also further to amend the Reserve Bank of India Act, 1934, and the State Bank of India Act, 1955, as passed by the Lok Sabha, was referred, having been authorised to submit the report on their behalf, present this their Report, with the Bill as reported by the Committee annexed thereto.

2. The Bill as passed by the Lok Sabha was laid on the Table of the Rajya Sabha on the 9th August, 1968.

3. The Motion for consideration of the Bill was moved in the House by Shri K. C. Pant, Minister of State in the Ministry of Finance on the 20th August, 1968. At the same sitting an amendment to the motion that the Bill be referred to a Select Committee of the House, was moved by Shri M. P. Bhargava. The House at its sittings held on the 20th, 21st and 26th August, 1968 considered the motion and the amendment thereto, and at its sitting held on the 26th August, 1968 referred the Bill to the Select Committee.

4. The Committee held four sittings in all.

5. The Committee considered and adopted the Report on the 10th October, 1968.

6. The Committee do not consider any amendment in the Bill to be necessary.

7. The Committee recommend that the Bill as reported be passed.

B. K. P. SINHA
Chairman, Select Committee.

NEW DELHI;
October 10, 1968.

*The Bill was published in the Gazette of India Extraordinary, Part II, Section 2, dated the 23rd December, 1967 and passed by the Lok Sabha on the 6th August, 1968.

MINUTES OF DISSENT

I

My basic reference is in regard to section 36 AD proposed to be inserted by clause 15 of the Banking Laws (Amendment) Bill, 1967. It is quite essential that banks should be able to conduct their business uninterruptedly. If the medium of our banking fails or is sabotaged, then we are economically done for. But that does not mean that one should be indifferent to the legitimate demands of the banking employees. Work should go on inside a bank uninterruptedly and people who want to transact business inside a bank from outside should not be obstructed.

About a decade ago, on a Saturday noon when I was going across Connaught Circus, Delhi, I heard loud noises emanating from inside the premises of a branch of the National and Grindlays and found that some employees were standing up on chairs and tables and demonstrating. The British Assistant was just sitting on quietly with his head perched on his hands. He seemed to be a picture of helplessness. I asked some of the leading employees who were making that demonstration whether I could have a talk with them outside in the verandah, but they refused to have any dialogue with me, as I told them that it was not at all desirable that they should loudly demonstrate inside their bank in that fashion. They asked me to go over in the evening near the Red Fort where they were holding forth a meeting. I declined that invitation. But I explained to them that their conduct would jeopardise banking altogether and foreigners especially who would peep into such a bank would carry away bad impressions about the state of our banks and economy in general. However, I told them that whenever a matter regarding banking came up before Parliament I would not forget to mention this episode.

I made clear during the proceedings of the Select Committee that the employees should have the full right of carrying on a sit-down strike, undisturbed and unmolested; as long as it was peaceful and did not prevent officers or other assistants carrying on the work inside the bank. The right of sit-down strike, if accomplished peacefully and non-violently, is a perfect form of satyagraha, a weapon which can always be exercised by the employees whenever their interests

are jeopardised. The Finance Minister has made it clear in the course of the proceedings that sit-down strikes will not be penalised as long as they are peaceful. I hope that the persons who handle such sit-down strikes in future will bear this in mind the firm assurances given by the Deputy Prime Minister who is now the Finance Minister of India.

I have some experiences of strikes. From my sick bed about 1938, I intervened in the first strike in the Fort of Bombay at Favre Leuba (Swiss watchmakers) and got it settled through the intervention of that most illustrious patriot, the late Mr. Yusuf Meheralli and Shri H. R. Pardiwala, then a Socialist leader of Bombay. In 1945 when I was the Sheriff of Bombay, I locked up the strike leaders at my place until the early hours of the morning and got the first Air-India strike called off. I have also interfered when the employees of the Hotel Imperial at Delhi about a decade ago were sprawling on the roads and cooking their own meals and conducting a battle royal against the employers. I spent a few days on it. When the settlement was at sight, somebody ditched it. There were too many parties in the private sector not wanting to get the matter settled to foster their own selfish interests. I also spent considerable time when there was a hunger strike of the employees of the Hindustan Aircraft Factory at Bangalore in the mid-fifties. I had no hand at all in the settlement of the strike, but I came and reported the matter to the then Home Minister and the then Defence Minister, the late Pandit Pant and Shri Krishna Menon, respectively and also to the then Chief Minister of Mysore, Shri Nijalingappa. I was allowed by the then General Manager of HAL, now Retired Chief Air Marshal of the Air Force, Engineer to go inside the factory and meet the striking leaders. I volunteered to serve as a Postman and worked for 2-3 days in the General Post Office at Bombay when the last but one Postal strike was on in Bombay city.

I find that the punishment imposed under the proposed section 36 AD that whosoever contravenes the provisions of sub-section (1) without any reasonable excuse would be punishable with imprisonment for a term which may extend to six months or with a fine which may extend to Rupees one thousand or with both, is excessive indeed. This is a draconian remedy. The poor employee who may be convicted will have to be in jail for six months and keep his family on starvation basis and at the end of it all lose his job also. Two or four weeks at the most should have been the maximum punishment that

should have been embodied in this clause and a token fine. Fancy, in the old days downright cheats, crooked men cheating to the tune of several lakhs getting a day's simple imprisonment, though it may have been accompanied with a big fine. They just walked home at the end of the day when the Court rose for the day. But the banking employees who go on strike driven by legitimate reasons should find themselves facing the maximum term of six months imprisonment and a four figure fine. The Magistrates who will handle such cases will not use soft gloves, nor will they understand the meaning of punishment in such cases so as to meet the ends of justice. The punishment that is now embodied in this clause is harsh and unduly heavy indeed. Those banking employees who face the worst consequences for their actions even if they obstruct at all, will face the double punishment, termination of service along with imprisonment and fine. It is certainly not the aim of this social piece of legislation to turn criminals out of honest citizens who will entertain a right grievance like that in any other industry and then strike or even prevent others conducting business.

I support Shri Balachandra Menon's amendment to Clause 3, page 3, after line 33, insert "(viii a) trade union movement of bank employees". When will the banking employees have a Director of their own? Quite a few black marketeers have hitherto controlled our leading banks and grossly misused their position as Directors to knock off lakhs and lakhs of rupees for their own business undertakings. But the poor banking employees who spend laborious days in the banks cannot have a Director of their own. The Finance Minister has stated that the entire matter of appointing Directors from employees in the public sector is being examined by the A.R.C. The earlier they come to a decision on this point, better it would be, though, as the Finance Minister stated that in Germany, employees have become Directors in industrial undertakings except in Banking. Banking employees who have a Director of their own will command the confidence of their fellow employees. No doubt they will have a lien on their jobs; they may not carry on their jobs during their Directorships. It is time that the banking employees got a Director of their own in every bank so that they may be saddled with a real sense of responsibility. After all is said and done, not a few Chairmen of the present Banks after the principle of social control has been introduced were men who were in the confidence of some of the monopolists of India who have used the banks as their footstools to increase their wealth, power and prestige in the land. It is time that the employees have a Director of their own so that they may shoulder responsibilities on a larger

scale in the future themselves and thus our social and economic aims may be fulfilled.

I cannot conclude without mentioning another point, though it is outside the purport of this Bill. I had already mentioned it during the proceedings of the Select Committee. Employees must be given all legitimate amenities. The top few officers have been enjoying it all along. Housing is a legitimate point. The Reserve Bank of India under the leadership of Shri C. D. Deshmukh accomplished a great task by providing maximum number of flats for their employees. If the Reserve Bank can do this, what about the other Banks who have hitherto failed. It is time the other Banks discharged this responsibility. If the Birlas who have been controlling some of the Banks have posh houses in every capital and leading city of the land as well as in some of the capitals and other cities of the world, why not the poor banking employees have just a hearth and home—a roof over their heads—for all their laborious tasks and devotion to duty. Sooner or later the Banks will be nationalised and the earlier a beginning is made by all the Banks to provide accommodation to its employees the better it would be and thus the burdens of the State itself will be lessened.

NEW DELHI;

October 14, 1968. JOACHIM ALVA.

II

I regret I am unable to accept the report of the Select Committee.

A rapid and balanced economic growth is possible only if a more purposeful investment policy for development can be pursued and available surplus mobilised and invested on the basis of priorities of a planned development. Such a policy is bound to be opposed by the vested interests including the private Bankers. Their resistance can be broken by nationalisation of Banks which the Government is unable or unwilling to undertake. By dodging the issue of nationalisation of Banks, the stagnation of the economy is perpetuated. The present bill will not be able to control the "big business' in the Banking industry. On the other hand it might end in Banker's Control of our economy both rural and urban.

I am giving below some of my objections to certain provisions of the Bill.

Clause 2(1) of the Bill inserting new clause (ca) in Section 5 of the Principal Act defining Banking policy needs amendment.

While due regard should be given to the interests of the depositors, the section dealing with the definition of "banking policy" should lay down the policy for loans and investment needed to generate a sustained upward trend in agricultural output and a progressive development of necessary industries. It should make clear that in both agriculture and industry, the needs of the "small man" would get priority. The policy should be to prevent financing of mere mercantile activities of all kinds, acquisition of rent receiving lands and investment in usury and speculation. The social objective should be clear lest money lent by the Banks is utilised by speculators and black-marketeers in the name of business, by landlords and capitalist land holders in the name of better agricultural production and so-called improved holdings and by industrialists in the name of industrial advance by setting up unessential industries giving quick returns.

The section as it is, speaks only of monetary stability and sound economic growth having due regard to the interest of depositors etc. Such a policy statement is inadequate—Mere economic growth on the basis of capitalist development is wrought with grave danger. Clause (na) proposed to be inserted by paragraph (iv) of clause 2 dealing with small scale industrial concern has to be amended so that protection is given to real small scale industries. The small scale industry should include only such concerns whose investment in plant and machinery does not exceed seven and half lakhs of rupees. Clause (nc) which speaks of "substantial interest" should be the same as defined in the original Bill, *i.e.*, Rs five lakhs and five per cent. In relation to a firm, the holding of ten per cent share is according to me a very substantial interest and therefore has to be reduced.

Now to turn to section 10A (2) proposed to be inserted by clause 3 of the Bill, I consider the Board of Directors should have representatives of Bank Employees' Organisations, Central Trade Union Organisations and peasants' organisations so that organised sections of the toiling people have a voice in the management and running of the financial institutions of our country. Such a step would help for some measure of social control of the Banks. Otherwise vested interests with sufficient political pulls would seek to dominate the Board of Directors. In the present day conditions, such a structural change

is necessary so that the workers and peasants are enthused for rebuilding our economy and taking it out of the existing stagnation. The proviso in section 10B requiring that the Chairman shall exercise his powers subject to the superintendence, control and direction of the Board of Directors has to be deleted. Clause 5 of the Bill substituting section 20 of the principal act dealing with restrictions on loans and advances exempts companies registered under Section 25 of the Companies Act. This exemption is uncalled for especially when it is realised that such companies often indulge in malpractices and serve as links between one group and another.

I am totally opposed to clause 15 of the Bill inserting section 36 AD in the Banking Regulation Act, 1949.

This section violates all existing trade union practices and conventions. It goes against the fundamental right of association guaranteed by the Constitution of India.

The sub clause (1)(a) thereof prohibits peaceful picketing, pen down and stay in strikes which are legitimate weapons of the employees to fight back the employers' offensive. The transaction of normal business by a banking company gets prevented by even a peaceful pen down strike. This becomes an offence even though the highest courts of land have held such actions as justified and legal. A peaceful picket can be construed as obstruction. If a person is restrained he can have recourse to existing criminal law of the land. Under the Bill even if the person who is restrained has no complaint, an unconnected person has now the right to complain. The management thus gets certain rights to take action on union militants and leaders which the ordinary criminal law or industrial law does not give him.

Violent demonstrations inside the premises and illegal strikes are offences under the standing orders and Industrial Disputes' Act. The management has to charge-sheet the worker. He may have to appear before the Industrial or Labour Courts. All such difficulties are now got over by the new provision in clause 15 prohibiting certain activities in relation to Banking companies.

It is surprising that an employee of a bank should be denied the rights of a normal citizen. He is also deprived of the rights of ordinary workers who can be proceeded against only under the Industrial Disputes Act or under the Standing Orders. In short a person who agrees to work in a Bank ceases to have the ordinary right of a citizen or of a worker.

True, this section does not openly say that the prohibition of certain activities in relation to Banking Companies pertains only to workers. But the word "person" includes also "worker" Otherwise the wording should have been "no person other than a worker or an employee etc.".

In clause (b) of sub-section (1) of section 36AD all the words after the word "violent" should be deleted. In clause (c) the words "calculated to undermine the confidence" is a vague provision. An employee or any other person who speaks about certain malpractices or misdeeds of the management can well be brought within the mischief of this provision.

This provision confining its scope to Banking industry is discriminatory. An act committed inside a Banking institution would be a cognizable offence under this Bill while similar acts committed in other industrial units would remain non-cognizable. This section has been opposed by all Bank employees and their organisations irrespective of their political or Trade Union affiliations. In the interest of industrial peace, this section has to go.

Further, this provision runs counter to established Trade Union Conventions. Legislations regarding labour relations and Trade Union rights are discussed in Tripartite Labour Conferences. This also prejudices the work entrusted to the National Labour Commission. Above all, it weakens the right of the workers for collective bargaining. It does not seek to win over the worker for maintaining industrial peace. It seeks to threaten him to submission. Industrial peace has never been secured that way.

Sub-section (2) of section 36AD imposes severe punishment. Such penalties are uncalled for. The management can dismiss an employee for grave misconduct—It is preposturous to punish the employee for misconduct with fine up to Rs. 1,000|- and imprisonment for a term which may extend to six months. It is a pity that Government is unable to see that the employer-employee relationship is one of human relations.

I am opposed to clause 28 of the Bill inserting section 54 AA in the Reserve Bank of India Act, 1934. It gives arbitrary powers to the authorities of the Reserve Bank to effect transfers as they like The employers always claim that the right to transfer employees is their prerogative. In that case there was no need to mention it in the clause—Employees who are transferred are not entitled to any

deputation allowance. Questions relating to conditions of work, pay and allowance are subject matters for collective bargaining and should have no place in the Bill for social control over Banks. I am afraid certain provisions of the Bill are mainly for the control of the workers and their actions.

The Bill is an undemocratic anti-labour measure. A halting measure with its anti-labour teeth which does not satisfy any one is substituted for a radical measure, with the result the creative energy of the workers and the ordinary people cannot be roused for rebuilding our economy on scientific lines. An effective control of the Banking system would have helped to some extent to improve our economy, bring down high prices, arrest the fall in wages and help our agriculture and industry to get stabilised.

P. BALACHANDRA MENON.

New Delhi;
October 27, 1968.

III

I regret it is not possible for me to subscribe fully to the Report of the Select Committee on the Banking Laws (Amendment) Bill, 1967. Hence I append the following Minute of Dissent to the Report.

Clause 3

(1) *Insertion of new Section* 10*A in the Principal Act.*—The intention of this new Section is to bring in experts in the top management of banking companies. It is a welcome change.

However, it is unwise to jump to such a change all of a sudden in the existing set up of the banking institution of the country. There may be instances where a banking company may not have such "expert" director or directors at all to conform to the legal requirement that as many as fifty-one per cent of the directors should be so qualified. There are apprehensions that this new section will not only create difficult problems for certain banking companies by inducing large scale patronage of an unwanted type, but also encourage alleged experts to over-power the Board of Directors of banking companies.

(2) *Insertion of new Section* 10*B in the Principal Act.*—I welcome this change in the banking set up. It is long overdue. It is quite in the fitness of things that a banking company should have

a whole-time officer entrusted with the management of the whole of its affairs, subject to the superintendence, control and direction of the Board of Directors.

It is also very welcome feature that the Chairman of the Board of Directors of a banking company should have no interest in any other business or vocation, nor any connection with any other trading, commercial or industrial concern in any capacity.

It is however, not understood, why such a wholetime officer of a banking company be prohibited from holding office of a director in even those financial institutions in which the banking company itself and/or the Central or State Government may have substantial interest.

Furthermore, under the provisions of this new section, read with the provisions of Section 36AA of the Principal Act (as amended by Clause 13 of this Bill), the Chairman of a Banking company will in future virtually hold office at the pleasure of the Reserve Bank of India. It has been expressly so provided in sub-section (6) of the new section 10(b) that in addition to the *specific* circumstances (set out in Section 36AA) in which the Chairman of a banking company can be dismissed from office by the Reserve Bank of India, he can also be removed from office if the Reserve Bank of India, is "of opinion", *without assigning any reason,* that he "is not a fit and proper person" to hold such office.

Notwithstanding the provision made for an appeal to the Central Government against such an order of the Reserve Bank of India, I find it difficult to support this arbitrary power. This is quite unwholesome power which otherwise would imply autocratic rule of a certain section of officers of the Reserve Bank of India, over banking companies at their whims and pleasure thus jeopardising the whole structure and intention of this change.

In the present banking set up of the country there are persons of very high calibre and eminence holding the office of Chairmanships in some of the leading banks of the country. I am, therefore, afraid that such bankers of eminence are not exposed to malicious treatment. In particular and having regard to the very debatable economic, fiscal and monetary policies of the Government in recent years (including the new face now being sought to be given to the banking and credit policies), where such persons happen to be vigorous critics of such policies, it is quite apprehensible, that such

persons may be maltreated when this law is passed. Such a situation would obviously be against the best interests of the public in a democratic State and cannot be accepted.

Clause 5

Section 20 of the Principal Act is sought to be fully recast by this clause, with the object, among other things, to prohibit the grant of loans and advances, as also the continuance (beyond a certain period) of loans and advances already granted or committed to be granted, to concerns in which the directors of a banking company may be interested.

Whereas the object of this change is quite appreciable, the prohibition it seeks to impose is too far and wide in its scope and too sudden in its application to existing loans and advances.

(a) The prohibition of loans and advances by a banking company to concerns, of which a director of that banking company may merely be a director or partner, but in which he did not hold substantial interest, is without any virtue, reason of justification.

(b) The period of one year, within which the earlier loans and advances (other than term loans) *validly made under the present law* to the now-prohibited categories should be repaid, is much too short. The Compulsion to repay such loans within such a short period of twelve months will cause a great deal of dislocation, and even grave hardships in many cases, without serving any corresponding demonstrable public purpose.

(c) On the otherhand the provision that in such cases, the Reserve Bank of India may relax the time limit in suitable cases for a further period of two years is altogether undesirable. It would be most unfortunate if the Reserve Bank of India, burdened with this additional responsibility of probing into multifarious cases, are exposed to allegation of favouritism in using the power to relax the time limit.

It would be quite desirable if the time-limit for the repayment of old loans and advances to the newly-created prohibited categories, is restored to the period of three years as contemplated in the original Bill as introduced in the Lok Sabha.

Clause 15

In so far as it seeks to insert a new "Part II C" into the Principal Act.—The object of inserting the proposed Part II-C in the principal Act is to authorise the Central Government to nationalise

by *purely executive* orders a banking company in certain circumstances.

In my opinion this provision is quite unjustified and uncalled for it is also unlawful because it is *utravires and unconstitutional.* Whatever the circumstances, nationalisation can never be the subject matter of an enabling act. This amendment is wholly unconstitutional in-so-far-as when the basic purpose is regulatory, not acquisitive such a provision cannot lawfully be inserted.

Can or should nationalisation be undertaken by mere executive orders, is a big national question and must be considered separately. It is no answer to the challenge that there is also provision made for payment of "compensation" of a sort.

It is, therefore, a wholly unwanted and unlawful change.

Clause 22

This is also untenable in view of the above remarks.

General

I regret very much to put on record my resentment over many changes proposed to be made in the Banking Law, for the main object of this Bill, appears to be *not so much* the desire to effect re-orientation and reform the banking structure and policy, so as to achieve better social objectives and allocation of the credit resources generated by banking system, but the Bill is a back-door attempt at *nationalisation of the banking companies* with impunity.

The fatal aspects of the Bill are, however, two. Firstly, in the devising of the definition of "banking policy" such that the Reserve Bank of India is induced to issue directives in arbitrary manner, which may not be defensible either on the grounds of the interests of the depositors or of the wider public interest. And secondly, in the provision for nationalisation of banks by the back-door supported by mere executive opinions and orders, but without the specified sanction of Parliament in each case.

RAM SINGH.

Kanpur,
November 7, 1968.

Bill No. 174-C of 1967

THE BANKING LAWS (AMENDMENT) BILL 1968

(AS REPORTED BY THE SELECT COMMITTEE)

A

BILL

further to amend the Banking Regulation Act, 1949, so as to provide for the extension of social control over banks and for matters connected therewith or incidental thereto, and also further to amend the Reserve Bank of India Act, 1934 and the State Bank of India Act, 1955.

BE it enacted by Parliament in the Nineteenth Year of the **Republic of India as follows:—**

CHAPTER I

PRELIMINARY

1. (*1*) This Act may be called the Banking Laws (Amendment) **Act, 1968.** Short title and commencement.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint and different dates may be appointed for different provisions of the Act.

CHAPTER II

AMENDMENTS TO THE BANKING REGULATION ACT, 1949

10 of 1949.

Amendment of section 5.

2. In the Banking Regulation Act, 1949 (hereinafter in this Chapter referred to as the principal Act), in section 5,—

(*i*) after clause (*c*), the following clause shall be inserted, namely:—

'(*ca*) "banking policy" means any policy which is specified from time to time by the Reserve Bank in the interest of the banking system or in the interest of monetary stability or sound economic growth, having due regard to the interests of the depositors, the volume of deposits and other resources of the bank and the need for equitable allocation and the efficient use of these deposits and resources;';

(*ii*) after clause (*g*), the following clause shall be inserted, namely:—

'(*gg*) "managing agent" includes,—

(*i*) secretaries and treasurers,

(*ii*) where the managing agent is a company, any director of such company, and any member thereof who holds substantial interest in such company,

(*iii*) where the managing agent is a firm, any partner of such firm;';

(*iii*) to clause (*h*), the following proviso shall be added, namely:—

"Provided that the managing director shall exercise his powers subject to the superintendence, control and direction of the Board of directors.";

(*iv*) after clause (*n*), the following clauses shall be inserted, namely:—

'(*na*) "small-scale industrial concern" means an industrial concern in which the investment in plant and machinery is not in excess of seven and a half lakhs of rupees or such higher amount, not exceeding twenty lakhs of rupees, as the Central Government may, by notification in the Official Gazette, specify in this behalf, having regard to the trends in industrial development and other relevant factors;

(*nb*) "subsidiary bank" has the meaning assigned to it in the State Bank of India (Subsidiary Banks) Act, 1959; 38 of 1959.

(*nc*) "substantial interest",—

(*i*) in relation to a company, means the holding of a beneficial interest by an individual or his spouse or

minor child, whether singly or taken together, in the shares thereof, the amount paid-up on which exceeds five lakhs of rupees or ten per cent. of the paid-up capital of the company, whichever is less;

(*ii*) in relation to a firm, means the beneficial interest held therein by an individual or his spouse or minor child, whether singly or taken together, which represents more than ten per cent. of the total capital subscribed by all the partners of the said firm;'.

Insertion of new sections 10A, 10B, 10C and 10D.

3. After section 10 of the principal Act, the following sections shall be inserted, namely:—

Board of directors to include persons with professional or other experience.

"10A. (*1*) Notwithstanding anything contained in any other law for the time being in force, every banking company —

(*a*) in existence on the commencement of section 3 of the Banking Laws (Amendment) Act, 1968, or

(*b*) which comes into existence thereafter,

shall comply with the requirements of this section:

Provided that nothing contained in this sub-section shall apply to a banking company referred to in clause (*a*) for a period of three months from such commencement.

(*2*) Not less than fifty-one per cent. of the total number of members of the Board of directors of a banking company shall consist of persons, who—

(*a*) shall have special knowledge or practical experience in respect of one or more of the following matters, namely:—

(*i*) accountancy,

(*ii*) agriculture and rural economy,

(*iii*) banking,

(*iv*) co-operation,

(*v*) economics,

(*vi*) finance,

(*vii*) law,

(*viii*) small-scale industry,

(*ix*) any other matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank, be useful to the banking company:

Provided that out of the aforesaid number of directors, not less than two shall be persons having special knowledge or practical experience in respect of agriculture and rural economy, co-operation or small-scale industry; and

(*b*) shall not—

(*1*) have substantial interest in, or be connected with, whether as employee, manager or managing agent,—

(*i*) any company, not being a company registered under section 25 of the Companies Act, 1956, or 1 of 1956.

(*ii*) any firm,

which carries on any trade, commerce or industry and which, in either case, is not a small-scale industrial concern, or

(*2*) be proprietors of any trading, commercial or industrial concern, not being a small-scale industrial concern.

(*3*) If, in respect of any banking company, the requirements, as laid down in sub-section (*2*), are not fulfilled at any time, the Board of directors of such banking company shall re-constitute such Board so as to ensure that the said requirements are fulfilled.

(*4*) If, for the purpose of re-constituting the Board under sub-section (*3*), it is necessary to retire any director or directors, the Board may, by lots drawn in such manner as may be prescribed, decide which director or directors shall cease to hold office and such decision shall be binding on every director of the Board.

(*5*) Where the Reserve Bank is of opinion that the composition of the Board of directors of a banking company is such that it does not fulfil the requirements of sub-section (*2*), it may, after giving to such banking company a reasonable opportunity of being heard, by an order in writing, direct the banking company to so re-constitute its Board of directors as to ensure that the said requirements are fulfilled and, if within two months from the date of receipt of that order, the banking company does not comply with the directions made by the Reserve Bank, that Bank may, after determining, by lots drawn in such manner as may be prescribed, the person who ought to be removed from the membership of the Board of directors, remove such person from the office of the director of such banking company and with a view to complying with the provisions of sub-section (*2*), appoint a suitable person as a member of the Board of directors in the place of the person so removed whereupon the person so appointed shall be deemed to have been duly elected by the banking company as its director.

(6) Every appointment, removal or reconstitution duly made, and every election duly held, under this section shall be final and shall not be called into question in any court.

(7) Every director elected or, as the case may be, appointed under this section shall hold office until the date up to which his predecessor would have held office, if the election had not been held, or, as the case may be, the appointment had not been made.

(8) No act or proceeding of the Board of directors of a banking company shall be invalid by reason only of any defect in the composition thereof or on the ground that it is subsequently discovered that any of its members did not fulfil the requirements of this section.

Banking company to be managed by whole time chairman.

10B. (1) Notwithstanding anything contained in any law for the time being in force or in any contract to the contrary, every banking company in existence on the commencement of section 3 of the Banking Laws (Amendment) Act, 1968, or which comes into existence thereafter shall have a chairman of its Board of directors who shall be entrusted with the management of the whole of the affairs of the banking company:

Provided that the chairman shall exercise his powers subject to the superintendence, control and direction of the Board of directors:

Provided further that nothing in this sub-section shall apply to a banking company in existence on the commencement of the said section for a period of three months from such commencement.

(2) Every chairman of the Board of directors of a banking company shall be in the whole-time employment of such company and shall hold office for such period, not exceeding five years, as the Board of directors may fix, but shall, subject to the provisions of this section, be eligible for re-election or re-appointment:

Provided that nothing in this sub-section shall be construed as prohibiting a chairman from being a director of a subsidiary of the banking company or a director of a company registered under section 25 of the Companies Act, 1956.

1 of 1956.

(3) Every person holding office on the commencement of section 3 of the Banking Laws (Amendment) Act, 1968, as managing director of a banking company shall—

(a) if there is a chairman of its Board of directors, vacate office on such commencement, or

(b) if there is no chairman of its Board of directors, vacate office on the date on which the chairman of its Board

of directors is elected or appointed in accordance with the provisions of this section.

(4) Every chairman of the Board of directors of a banking company shall be a person who has special knowledge and practical experience of—

(*a*) the working of a banking company, or of the State Bank of India or any subsidiary bank or a financial institution, or

(*b*) financial, economic or business administration:

Provided that a person shall be disqualified for being a chairman, if he—

(*a*) is a director of any company other than a company referred to in the proviso to sub-section (2), or

(*b*) is a partner of any firm which carries on any trade, business or industry, or

(*c*) has substantial interest in any other company or firm, or

(*d*) is a director, manager, managing agent, partner or proprietor of any trading, commercial or industrial concern, or

(*e*) is engaged in any other business or vocation.

(5) A chairman of the Board of directors of a banking company may, by writing under his hand addressed to the company, resign his office but shall continue in office until his successor assumes office.

(6) Without prejudice to the provisions of section 36AA, where the Reserve Bank is of opinion that any person who is, or has been elected to be, the chairman of the Board of directors of a banking company is not a fit and proper person to hold such office, it may, after giving to such person and to the banking company a reasonable opportunity of being heard, by order in writing, require the banking company to elect or appoint any other person as the chairman of its Board of directors and if, within a period of two months from the date of receipt of such order, the banking company fails to elect or appoint a suitable person as the chairman of its Board of directors, the Reserve Bank may, by order, remove the first-mentioned person from the office of the chairman of the Board of directors of the banking company and appoint a suitable person in his place whereupon the person so appointed shall be deemed to have been duly elected or appointed, as the case may be, as the chairman of the Board of directors of such banking company and any person elected or appointed as chairman

under this sub-section shall hold office for the residue of the period of office of the person in whose place he has been so elected or appointed.

(7) The banking company and any person against whom an order of removal is made under sub-section (6) may, within thirty days from the date of communication to it or to him of the order, prefer an appeal to the Central Government and the decision of the Central Government thereon, and subject thereto, the order made by the Reserve Bank under sub-section (6), shall be final and shall not be called into question in any court.

(8) Notwithstanding anything contained in this section, the Reserve Bank may, if in its opinion it is necessary in the public interest so to do, permit the chairman to undertake such part-time honorary work as is not likely to interfere with his duties as such chairman.

(9) Notwithstanding anything contained in this section, where a person appointed as chairman dies or resigns or is by infirmity or otherwise rendered incapable of carrying out his duties or is absent on leave or otherwise in circumstances not involving the vacation of his office, the banking company may, with the approval of the Reserve Bank, make suitable arrangements for carrying out the duties of chairman for a total period not exceeding four months.

Chairman or Director appointed by the Reserve Bank not to be required to hold qualification shares.

10C. Any director or chairman appointed by the Reserve Bank under section 10A or section 10B, as the case may be, shall not be required to hold qualification shares in the banking company.

Provisions of sections 10A and 10B to over-ride all other laws, contracts, etc.

10D. Any appointment or removal of a director or chairman in pursuance of section 10A or section 10B shall have effect and any such person shall not be entitled to claim any compensation for the loss or termination of office, notwithstanding anything contained in any law or in any contract, memorandum or articles of association.".

Amendment of section 16.

4. In section 16 of the principal Act, after sub-section (2), the following sub-section shall be inserted, namely:—

"(3) Nothing in sub-section (1) shall apply to, or in relation to, any director appointed by the Reserve Bank.".

Substitution of new section for section 20.

5. For section 20 of the principal Act, the following section shall be substituted, namely:—

Restrictions on loans and advances.

'20. (1) Notwithstanding anything to the contrary contained in section 77 of the Companies Act, 1956, no banking company shall,— 1 of 1956

(a) grant any loans or advances on the security of its own shares, or

(b) enter into any commitment for granting any loan or advance to or on behalf of—

(i) any of its directors,

(ii) any firm in which any of its directors is interested as partner, manager, employee or guarantor, or

(iii) any company (not being a subsidiary of the banking company or a company registered under section 25 of the Companies Act, 1956, or a Government company) of which any of the directors of the banking company is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or 1 of 1956

(iv) any individual in respect of whom any of its directors is a partner or guarantor.

(2) Where any loan or advance granted by a banking company is such that a commitment for granting it could not have been made if clause (b) of sub-section (1) had been in force on the date on which the loan or advance was made, or is granted by a banking company after the commencement of section 5 of the Banking Laws (Amendment) Act, 1968, but in pursuance of a commitment entered into before such commencement, steps shall be taken to recover the amounts due

to the banking company on account of the loan or advance together with interest, if any, due thereon within the period stipulated at the time of the grant of the loan or advance, or where no such period has been stipulated, before the expiry of one year from the commencement of the said section 5:

Provided that the Reserve Bank may, in any case, on an application in writing made to it by the banking company in this behalf, extend the period for the recovery of the loan or advance until such date, not being a date beyond the period of three years from the commencement of the said section 5, and subject to such terms and conditions, as the Reserve Bank may deem fit:

Provided further that this sub-section shall not apply if and when the director concerned vacates the office of the director of the banking company, whether by death, retirement, resignation or otherwise.

(3) No loan or advance referred to in sub-section (2), or any part thereof shall be remitted without the previous approval of the Reserve Bank, and any remission without such approval shall be void and of no effect.

(4) Where any loan or advance referred to in sub-section (2), payable by any person has not been repaid to the banking company within the period specified in that sub-section, then, such person shall if he is a director of such banking company on the date of the expiry of the said period, be deemed to have vacated his office as such on the said date.

Explanation.—In this section—

(*a*) "loans or advance" shall not include any transaction which the Reserve Bank may, having regard to the nature of the transaction, the period within which, and the manner and circumstances in which, any amount due on account of the transaction is likely to be realised, the interest of the depositors and other relevant considerations, specify by general or special order as not being a loan or advance for the purpose of this section;

(*b*) "director" includes a member of any board or committee in India constituted by a banking company for the purpose of managing, or for the purpose of advising it in regard to the management of, all or any of its affairs.

(5) If any question arises whether any transaction is a loan or advance for the purposes of this section, it shall be referred to the Reserve Bank, whose decision thereon shall be final.'.

Amendment of section 24.

6. In section 21 of the principal Act, in sub-section (*1*), after the words "in the interests of depositors", the words "or banking policy" shall be inserted.

Amendment of section 24.

7. In section 24 of the principal Act, in sub-section (*2A*), in sub-clause (*iii*) of clause (*b*), for the words "any balances maintained by a scheduled bank with the State Bank of India", the words "any balances in current account maintained in India by a scheduled bank with the State Bank of India" shall be substituted.

Amendment of section 30.

8. In section 30 of the principal Act,—

(*a*) for sub-section (*1*), the following sub-section shall be substituted, namely:—

"(*1*) The balance-sheet and profit and loss account prepared in accordance with section 29 shall be audited by a person duly qualified under any law for the time being in force to be an auditor of companies.";

(*b*) after sub-section (*1*), the following sub-sections shall be inserted, namely:—

"(*1A*) Notwithstanding anything contained in any law for the time being in force or in any contract to the contrary, every banking company shall, before appointing, re-appointing or removing any auditor or auditors, obtain the previous approval of the Reserve Bank.

(*1B*) Without prejudice to anything contained in the Companies Act, 1956, or any other law for the time being in force, where the Reserve Bank is of opinion that it is necessary in the public interest or in the interests of the banking company or its depositors so to do, it may direct the auditor of the banking company to audit the accounts of the banking company in relation to any transaction or class of transactions specified in the order, and the auditor shall comply with such directions and make a report of such audit to the Reserve Bank and forward a copy thereof to the company. 1 of 1956.

(*1C*) The expenses of, or incidental to, the audit of the transaction or class of transactions specified in the order made by the Reserve Bank shall be borne by the banking company.".

Amendment of section 34A.

9. In section 34A of the principal Act, in sub-section (*3*), the words, brackets and figures "as defined in the State Bank of India (Subsidiary Banks) Act, 1959" shall be omitted. 38 of 1959

Amendment of section 35A.

10. In section 35A of the principal Act, in sub-section (*1*), after clause (*a*), the following clause shall be inserted, namely:—

"(*aa*) in the interest of banking policy; or".

11. In section 35B of the principal Act,— **Amendment of section 35B.**

(*a*) in sub-section (*1*),—

(*i*) in clause (*a*), for the words "appointment or re-appointment or remuneration of a", the words "appointment or re-appointment or termination of appointment or remuneration of a chairman, a" shall be substituted;

(*ii*) for clause (b), the following clause shall be substituted, namely:—

"(*b*) no appointment or re-appointment or termination of appointment of a chairman, a managing or whole-time director, manager or chief executive officer by whatever name called, shall have effect unless such appointment, re-appointment or termination of appointment is made with the previous approval of the Reserve Bank.";

(*iii*) in the *Explanation,* for the words "of the manager", the words "of the chairman or the manager" shall be substituted;

(*b*) in sub-section (*3*), for the words "as a managing or whole-time director", the words "as chairman or a managing or whole-time director" shall be substituted and for the word "appointment", wherever it occurs, the words "appointment or re-appointment" shall be substituted.

12. In section 36 of the principal Act, in sub-section (*1*), in clause (*d*),— **Amendment of section 36.**

(*i*) for the words and figures "during the course, or after the completion, of any inspection of a banking company under section 35,", the words "at any time, if it is satisfied that in the public interest or in the interest of banking policy or for preventing the affairs of the banking company being conducted in a manner detrimental to the interests of the banking company or its depositors it is necessary so to do," shall be substituted;

(*ii*) in sub-clause (*v*), the words "in consequence of the state of affairs disclosed during or by the inspection" shall be omitted.

13. In section 36AA of the principal Act,— **Amendment of section 36AA.**

(*a*) in sub-section (*1*), for the words "any director,", the words "any chairman, director," shall be substituted;

(*b*) in sub-section (*2*),—

(*i*) for the words "unless the director", the words "unless the chairman, director" shall be substituted;

(*ii*) in the proviso—

(*a*) for the words "the director or, as the case may be, chief executive officer", the words "the chairman or, as the case may be, director or chief executive officer" shall be substituted;

(*b*) in clause (*a*), for the words "act as such director", the words "act as such chairman or director" shall be substituted;

(*c*) in sub-section (*4*),—

(*i*) for the words "a director", where they occur for the first time, the words "a chairman, director" shall be substituted;

(*ii*) for the words "a director or, as the case may be,", the words "a chairman or, as the case may be, a director" shall be substituted;

(*d*) in sub-section (*6*), for the words "the director", the words "the chairman or director" shall be substituted;

(*e*) in sub-section (*7*), for the words "director or chief executive officer", wherever they occur, the words "chairman, director or chief executive officer" shall be substituted.

Amendment of section 36AB.

14. In section 36AB of the principal Act, in sub-section (*1*), for the words "opinion that", the words "opinion that in the interest of banking policy or in the public interest or" shall be substituted.

Insertion of new Parts IIB and IIC.

15. After Part IIA of the principal Act, the following Parts shall be inserted, namely:—

'PART IIB

PROHIBITION OF CERTAIN ACTIVITIES IN RELATION TO BANKING COMPANIES

Punishments for certain activities in relation to banking companies.

36AD. (*1*) No person shall—

(*a*) obstruct any person from lawfully entering or leaving any office or place of business of a banking company or from carrying on any business there, or

(*b*) hold, within the office or place of business of any banking company, any demonstration which is violent or which prevents, or is calculated to prevent, the transaction of normal business by the banking company, or

(*c*) act in any manner calculated to undermine the confidence of the depositors in the banking company.

(2) Whoever contravenes any provision of sub-section (1) without any reasonable excuse shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both.

(3) For the purposes of this section, "banking company" includes the Reserve Bank, the Industrial Development Bank of India, the State Bank of India, and any subsidiary bank.

PART IIC

ACQUISITION OF THE UNDERTAKINGS OF BANKING COMPANIES IN CERTAIN CASES

Power of Central Government to acquire undertakings of banking companies in certain cases.

36AE. (1) If, upon receipt of a report from the Reserve Bank, the Central Government is satisfied that a banking company—

(a) has, on more than one occasion, failed to comply with the directions given to it in writing under section 21 or section 35A, in so far as such directions relate to banking policy, or

(b) is being managed in a manner detrimental to the interests of its depositors,—

and that—

(i) in the interests of the depositors of such banking company, or

(ii) in the interest of banking policy, or

(iii) for the better provision of credit generally or of credit to any particular section of the community or in any particular area,

it is necessary to acquire the undertaking of such banking company, the Central Government may, after such consultation with the Reserve Bank as it thinks fit, by notified order, acquire the undertaking of such company (hereinafter referred to as the acquired bank) with effect from such date as may be specified in this behalf by the Central Government (hereinafter referred to as the appointed day):

Provided that no undertaking of any banking company shall be so acquired unless such banking company has been given a reasonable opportunity of showing cause against the proposed action.

Explanation.—In this Part,—

(*a*) "notified order" means an order published in the Official Gazette;

(*b*) "undertaking", in relation to a banking company incorporated outside India, means the undertaking of the company in India.

(2) Subject to the other provisions contained in this Part, on the appointed day, the undertaking of the acquired bank and all the assets and liabilities of the acquired bank shall stand transferred to, and vest in, the Central Government.

(3) The undertaking of the acquired bank and its assets and liabilities shall be deemed to include all rights, powers, authorities and privileges and all property, whether movable or immovable, including, in particular, cash balances, reserve funds, investments, deposits and all other interests and rights in, or arising out of, such property as may be in the possession of, or held by, the acquired bank immediately before the appointed day and all books, accounts and documents relating thereto, and shall also be deemed to include all debts, liabilities and obligations, of whatever kind, then existing of the acquired bank.

(4) Notwithstanding anything contained in sub-section (2), the Central Government may, if it is satisfied that the undertaking of the acquired bank and its assets and liabilities should, instead of vesting in the Central Government, or continuing to so vest, vest in a company established under any scheme made under this Part or in any corporation (hereinafter in this Part and in the Fifth Schedule referred to as the transferee bank) that Government may, by order, direct that the said undertaking, including the assets and liabilities thereof, shall vest in the transferee bank either on the publication of the notified order or on such other date as may be specified in this behalf by the Central Government.

(5) Where the undertaking of the acquired bank and the assets and liabilities thereof vest in the transferee bank under

sub-section (4), the transferee bank, shall, on and from the date of such vesting, be deemed to have become the transferee of the acquired bank and all the rights and liabilities in relation to the acquired bank shall, on and from the date of such vesting, be deemed to have been the rights and liabilities of the transferee bank.

(6) Unless otherwise expressly provided by or under this Part, all contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature subsisting or having effect immediately before the appointed day and to which the acquired bank is a party or which are in favour of the acquired bank shall be of as full force and effect against or in favour of the Central Government, or as the case may be, of the transferee bank, and may be enforced or acted upon as fully and effectually as if in the place of the acquired bank the Central Government or the transferee bank had been a party thereto or as if they had been issued in favour of the Central Government or the transferee bank, as the case may be.

(7) If, on the appointed day, any suit, appeal or other proceeding of whatever nature is pending by or against the acquired bank, the same shall not abate, be discontinued or be, in any way, prejudicially affected by reason of the transfer of the undertaking of the acquired bank or of anything contained in this Part, but the suit, appeal or other proceeding may be continued, prosecuted and enforced by or against the Central Government or the transferee bank, as the case may be.

Power of the Central Government to make scheme.

36AF. (1) The Central Government may, after consultation with the Reserve Bank, make a scheme for carrying out the purposes of this Part in relation to any acquired bank.

(2) In particular, and without prejudice to the generality of the foregoing power, the said scheme may provide for all or any of the following matters, namely:—

(a) the corporation, or the company incorporated for the purpose, to which the undertaking including the property, assets and liabilities of the acquired bank may be transferred, and the capital, constitution, name and office thereof;

(b) the constitution of the first Board of management (by whatever name called) of the transferee bank, and all such matters in connection therewith or incidental thereto

as the Central Government may consider to be necessary or expedient;

(c) the continuance of the services of all the employees of the acquired bank (excepting such of them as, not being workmen within the meaning of the Industrial Disputes Act, 1947, are specifically mentioned in the scheme) in the Central Government or in the transferee bank, as the case may be, on the same terms and conditions so far as may be, as are specified in clauses (*i*) and (*j*) of sub-section (5) of section 45; 14 of 1947.

(*d*) the continuance of the right of any person who, on the appointed day, is entitled to or is in receipt of, a pension or other superannuation or compassionate allowance or benefit, from the acquired bank or any provident, pension or other fund or any authority administering such fund, to be paid by, and to receive from, the Central Government or the transferee bank, as the case may be, or any provident, pension or other fund or any authority administering such fund, the same pension, allowance or benefit so long as he observes the conditions on which the pension, allowance or benefit was granted, and if any question arises whether he has so observed such conditions, the question shall be determined by the Central Government and the decision of the Central Government thereon shall be final;

(*e*) the manner of payment of the compensation payable in accordance with the provisions of this Part to the shareholders of the acquired bank, or where the acquired bank is a banking company incorporated outside India, to the acquired bank in full satisfaction of their, or as the case may be, its, claims;

(*f*) the provision, if any, for completing the effectual transfer to the Central Government or the transferee bank of any asset or any liability which forms part of the undertaking of the acquired bank in any country outside India;

(*g*) such incidental, consequential and supplemental matters as may be necessary to secure that the transfer of the business, property, assets and liabilities of the acquired bank to the Central Government or transferee bank, as the case may be, is effectual and complete.

(3) The Central Government may, after consultation with the Reserve Bank, by notification in the Official Gazette, add to, amend or vary any scheme made under this section.

(4) Every scheme made under this section shall be published in the Official Gazette.

(5) Copies of every scheme made under this section shall be laid before each House of Parliament as soon as may be after it is made.

(6) The provisions of this Part and of any scheme made thereunder shall have effect notwithstanding anything to the contrary contained in any other provisions of this Act or in any other law or any agreement, award or other instrument for the time being in force.

(7) Every scheme made under this section shall be binding on the Central Government or, as the case may be, on the transferee bank and also on all members, creditors, depositors and employees of the acquired bank and of the transferee bank and on any other person having any right, liability, power or function in relation to, or in connection with, the acquired bank or the transferee bank, as the case may be.

Compensation to be given to shareholders of the acquired bank.

36AG. (1) Every person who, immediately before the appointed day, is registered as a holder of shares in the acquired bank or, where the acquired bank is a banking company incorporated outside India, the acquired bank, shall be given by the Central Government, or the transferee bank, as the case may be, such compensation in respect of the transfer of the undertaking of the acquired bank as is determined in accordance with the principles contained in the Fifth Schedule.

(2) Nothing contained in sub-section (1) shall affect the rights inter se between the holder of any share in the acquired bank and any other person who may have any interest in such shares and such other person shall be entitled to enforce his interest against the compensation awarded to the holder of such share, but not against the Central Government, or the transferee bank.

(3) The amount of compensation to be given in accordance with the principles contained in the Fifth Schedule shall be determined in the first instance by the Central Government, or the transferee bank, as the case may be, in consultation with the Reserve Bank, and shall be offered by it to all those to whom compensation is payable under sub-section (1) in full satisfaction thereof.

(4) If the amount of compensation offered in terms of sub-section (3) is not acceptable to any person to whom the compensation is payable, such person may, before such date as may be notified by the Central Government in the Official Gazette, request the Central Government in writing, to have the matter referred to the Tribunal constituted under section 36AH.

(5) If, before the date notified under sub-section (4), the Central Government receives requests, in terms of that sub-section, from not less than one-fourth in number of the shareholders holding not less than one-fourth in value of the paid-up share capital of the acquired bank, or, where the acquired bank is a banking company incorporated outside India, from the acquired bank, the Central Government shall have the matter referred to the Tribunal for decision.

(6) If, before the date notified under sub-section (4), the Central Government does not receive requests as provided in that sub-section, the amount of compensation offered under sub-section (3), and where a reference has been made to the Tribunal, the amount determined by it, shall be the compensation payable under sub-section (1) and shall be final and binding on all parties concerned.

Constitution of the Tribunal.

36AH. (1) The Central Government may, for the purpose of this Part, constitute a Tribunal which shall consist of a Chairman and two other members.

(2) The Chairman shall be a person who is, or has been, a Judge of a High Court or of the Supreme Court, and, of the two other members, one shall be a person, who, in the opinion of the Central Government, has had experience of commercial banking and the other shall be a person who is a chartered accountant within the meaning of the Chartered Accountants' Act, 1949. 38 of 1949

(3) If, for any reason, a vacancy occurs in the office of the Chairman or any other member of the Tribunal, the Central Government may fill the vacancy by appointing another person thereto in accordance with the provisions of sub-section (2), and any proceeding may be continued before the Tribunal, so constituted, from the stage at which the vacancy occurred

(4) The Tribunal may, for the purpose of determining any compensation payable under this Part, choose one or more persons having special knowledge or experience of any relevant matter to assist it in the determination of such compensation.

Tribunal to have powers of a civil court.

36AI. (1) The Tribunal shall have the powers of a civil court, while trying a suit, under the Code of Civil Procedure, 1908, in respect of the following matters, namely:— 5 of 1908.

(a) summoning and enforcing the attendance of any person and examining him on oath;

(b) requiring the discovery and production of documents;

(c) receiving evidence on affidavits;

(*d*) issuing commissions for the examination of witnesses or documents.

(2) Notwithstanding anything contained in sub-section (1), or in any other law for the time being in force, the Tribunal shall not compel the Central Government or the Reserve Bank,—

(*a*) to produce any books of account or other documents which the Central Government, or the Reserve Bank, claims to be of a confidential nature;

(*b*) to make any such books or documents part of the record of the proceedings before the Tribunal; or

(*c*) to give inspection of any such books or documents to any party before it or to any other person.

Procedure of the Tribunal.

36AJ. (*1*) The Tribunal shall have power to regulate its own procedure.

(*2*) The Tribunal may hold the whole or any part of its inquiry *in camera*.

(*3*) Any clerical or arithmetical error in any order of the Tribunal or any error arising therein from any accidental slip or omission may, at any time, be corrected by the Tribunal either of its own motion or on the application of any of the parties.

Amendment of section 39.

16. Section 39 of the principal Act shall be re-numbered as sub-section (*1*) thereof and after sub-section (*1*), as so re-numbered, the following sub-section shall be, and shall be deemed always to have been, inserted, namely:—

"(*2*) Subject to such directions as may be made by the High Court, the remuneration of the official liquidator appointed under this section, the cost and expenses of his establishment and the cost and expenses of the winding up shall be met out of the assets of the banking company which is being wound up, and notwithstanding anything to the contrary contained in any other law for the time being in force, no fees shall be payable to the Central Government, out of the assets of the banking company.".

Insertion of new section 47A.

17. After section 47 of the principal Act, the following section shall be inserted, namely:—

Power of Reserve Bank to

"47A. (*1*) Notwithstanding anything contained in section 46, if a contravention or default of the nature referred to in sub-section (*3*) or sub-section (*4*) of section 46, as the case may be,

impose penalty.

is made by a banking company, then, the Reserve Bank may impose on such banking company—

(*a*) where the contravention is of the nature referred to in sub-section (*3*) of section 46, a penalty not exceeding twice the amount of the deposits in respect of which such contravention was made;

(*b*) where the contravention or default is of the nature referred to in sub-section (*4*) of section 46, a penalty not exceeding two thousand rupees; and where such contravention or default is a continuing one, a further penalty which may extend to one hundred rupees for every day, after the first, during which the contravention or default continues.

(*2*) For the purpose of adjudging the penalty under sub-section (*1*), the Reserve Bank shall hold an inquiry in the prescribed manner after giving the banking company a reasonable opportunity of being heard.

(*3*) While holding an inquiry under this section, the Reserve Bank shall have power to summon and enforce the attendance of any person to give evidence or to produce any document or any other thing which, in the opinion of the Reserve Bank, may be useful for, or relevant to, the subject matter of the inquiry.

(*4*) No complaint shall be filed against any banking company in any court of law in respect of any contravention or default in respect of which any penalty has been imposed by the Reserve Bank under this section.

(*5*) Any penalty imposed by the Reserve Bank under this section shall be payable within a period of fourteen days from the date on which notice issued by the Reserve Bank demanding payment of the sum is served on the banking company and in the event of failure of the banking company to pay the sum within such period, may be levied on a direction made by the principal civil court having jurisdiction in the area where the registered office of the banking company is situated; or, in the case of a banking company incorporated outside India, where its principal place of business in India is situated:

Provided that no such direction shall be made except on an application made to the court by the Reserve Bank or any officer authorised by that Bank in this behalf.

(6) The court which makes a direction under sub-section (5) shall issue a certificate specifying the sum payable by the banking company and every such certificate shall be enforceable in the same manner as if it were a decree made by the court in a civil suit.

(7) Where any complaint has been filed against any banking company in any court in respect of the contravention or default of the nature referred to in sub-section (3) or, as the case may be, sub-section (4) of section 46, then, no proceedings for the imposition of any penalty on the banking company shall be taken under this section.".

Amendment of section 51.

18. In section 51 of the principal Act,—

(a) in clause (c) of the proviso, after the words and figures "in section 46", the words, figures and letter "or in section 47A" shall be inserted;

(b) the *Explanation* shall be omitted.

Amendment of section 52.

19. In section 52 of the principal Act, in the proviso to sub-section (3), after the words "this section", the brackets, words, figures and letters "(including the rules made for the first time on matters specified in sections 10A and 47A)" shall be inserted.

Insertion of new section after section 55.

20. After section 55 of the principal Act, the following section shall be inserted, namely:—

Power to remove difficulties.

"55A. If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order, as occasion requires, do anything (not inconsistent with the provisions of this Act) which appears to it to be necessary for the purpose of removing the difficulty:

Provided that no such power shall be exercised after the expiry of a period of three years from the commencement of section 20 of the Banking Laws (Amendment) Act, 1968.

Amendment of Part V.

21. In Part V, in the provisions of the principal Act, as applied to or in relation to co-operative societies,—

(*a*) in section 5A, as substituted by clause (*d*) of section 56 of the principal Act,—

(*i*) in sub-section (*1*), for the words "this Part", the words "this Act" shall be substituted;

(*ii*) in sub-section (*2*), for the words "this Part", the words "this Act" shall be substituted;

(*b*) in section 7, as substituted by clause (*f*) of the said section 56, in sub-section (*2*), after clause (*b*), the following clause shall be inserted, namely:—

"(c) any co-operative society, not being a primary credit society, formed by the employees of a banking company or the State Bank of India or any other banking institution notified by the Central Government under section 51 or the employees of a subsidiary of such banking company or the State Bank of India or, as the case may be, such banking institution.";

(*c*) in clause (*g*) of the said section 56, for the word and figures "section 10", the words, figures and letters "sections 10, 10A, 10B, 10C and 10D" shall be substituted;

(*d*) in section 18 of the principal Act, as substituted by clause (*j*) of the said section 56, in the *Explanation*, for clause (c), the following clause shall be substituted, namely:—

"(c) in the case of a State or central co-operative bank, also any deposit of money with it representing the reserve fund or any part thereof required to be maintained with it by any other co-operative society within its area of operation, and in the case of a central co-operative bank, also an advance taken by it from the State co-operative bank of the State concerned;";

(*e*) for clause (*l*) of the said section 56, the following clause shall be substituted, namely:—

"(*l*) for section 20 of the principal Act, the following section shall be substituted, namely:—

Restrictions on loans and advances.

20. (*1*) No co-operative bank shall—

(*a*) make any loans or advances on the security of its own shares; or

(b) grant unsecured loans or advances—

(i) to any of its directors; or

(ii) to firms or private companies in which any of its directors is interested as partner or managing agent or guarantor or to individuals in cases where any of its directors is a guarantor; or

(iii) to any company in which the chairman of the Board of directors of the co-operative bank (where the appointment of a chairman is for a fixed term) is interested as its managing agent, or where there is no managing agent, as its chairman or managing director:

Provided that nothing in clause (b) shall apply to the grant of unsecured loans or advances—

(a) made by a co-operative bank—

(i) against bills for supplies or services made or rendered to Government or bills of exchange arising out of *bona fide* commercial or trade transactions, or

(ii) in respect whereof trust-receipts are furnished to the co-operative bank;

(b) made by a primary co-operative bank to any of its directors or to any other person within such limits and on such terms and conditions as may be approved by the Reserve Bank in this behalf.

(2) Every co-operative bank shall, before the close of the month succeeding that to which the return relates, submit to the Reserve Bank a return in the prescribed form and manner showing all unsecured loans and advances granted by it to companies in cases [other than those in which the co-operative bank is prohibited under sub-section (*1*) to make unsecured loans and advances] in which any of its directors is interested as director or managing agent or guarantor.

(3) If, on examination of any return submitted under sub-section (*2*), it appears to the Reserve Bank

that any loans or advances referred to in that sub-section are being granted to the detriment of the interests of the depositors of the co-operative bank, the Reserve Bank may, by order in writing, prohibit the co-operative bank from granting any such further loans or advances or impose such restrictions on the grant thereof as it thinks fit, and may by like order direct the co-operative bank to secure the re-payment of such loan or advance within such time as may be specified in the order.";

(*f*) in sub-section (2) of section 22, as substituted by clause (*o*) of the said section 56, for the proviso, the following proviso shall be substituted, namely:—

"Provided that nothing in clause (*b*) of sub-section (*1*) shall be deemed to prohibit—

(*i*) a co-operative society carrying on business as a co-operative bank at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965, or 23 of 1965.

(*ii*) a co-operative bank which has come into existence as a result of the division of any other co-operative society, or the amalgamation of other co-operative societies carrying on business in either case as a co-operative bank or banks at such commencement, or

(*iii*) a primary credit society which becomes a primary co-operative bank after such commencement,

from carrying on banking business until it is granted a licence in pursuance of this section or is, by a notice in writing, notified by the Reserve Bank that the licence cannot be granted to it.";

(*g*) in sub-section (*1*) of section 23, as substituted by clause (*p*) of the said section 56, in clause (*b*) of the proviso, for the words "opening of branches", the words "opening or changing the location of branches" shall be substituted;

(*h*) in sub-section (*2A*) of section 24, as substituted by clause (*q*) of the said section 56, for clause (*b*), the following clause shall be substituted, namely:—

"(*b*) in computing the amount for the purpose of clause (*a*),—

(*i*) any cash or balances maintained in India by a co-operative bank, other than a scheduled State co-operative bank, with itself or in current account with the

Reserve Bank or the State Bank of India or with any other bank which may be notified in this behalf by the Central Government and also any balances maintained with the State co-operative bank of the State concerned, and, in the case of a primary co-operative bank, also any balances maintained with the central co-operative bank of the district concerned or with the State co-operative bank of the State concerned in excess of the aggregate of the cash or balances or both required to be maintained under section 18; and

(*ii*) any balance maintained by a scheduled State co-operative bank with the Reserve Bank in excess of the balance required to be maintained by it under section 42 of the Reserve Bank of India Act, 1934, and any balances in current account maintained in India by a scheduled State co-operative bank with the State Bank of India or with any other bank which may be notified by the Central Government,

2 OF 1934.

shall be deemed to be cash maintained in India.

Explanation.—For the purposes of this sub-section,—

(*a*) approved securities, or a portion thereof, representing investment of Agricultural Credit Stabilization Fund of a co-operative bank shall not be deemed to be unencumbered approved securities;

(*b*) balance with the State co-operative bank of the State concerned or with the central co-operative bank of the district concerned, or a portion thereof, representing investment of Agricultural Credit Stabilization Fund of a co-operative bank shall not be deemed to be cash maintained in India;

(*c*) in case a co-operative bank has taken an advance against any balance maintained with the State Bank of India or with any other bank which may be notified in this behalf by the Central Government or with the State co-operative bank of the State concerned or with the central co-operative bank of the district concerned, such balance to the extent to which it has been drawn against or availed of shall not be deemed to be cash maintained in India.";

(*i*) in the proviso to sub-section (*l*) of section 35, as inserted by clause (*w*) of the said section 56, the following shall be added at the end, namely:—

"and may, if it considers it necessary and expedient so to do, supply a copy of the said report to the State co-operative bank or the Registrar of co-operative societies of the State in which the inspected bank is registered";

(*j*) in clause (*zb*) of the said section 56, after the word, figures and letter "Part IIA,", the word, figures and letter, "Part IIC," shall be inserted.

Insertion of new Schedule.

22. After the Fourth Schedule to the principal Act, the following Schedule shall be inserted, namely:—

'THE FIFTH SCHEDULE

(*See* section 36AG)

PRINCIPLES OF COMPENSATION

1. The compensation to be given under section 36AG shall be an amount equal to the value of the assets of the acquired bank as on the day immediately before the appointed day, computed in accordance with the provisions of Part I of this Schedule *less* the total amount of liabilities thereof computed in accordance with the provisions of Part II of this Schedule.

Part I.—Assets

For the purposes of this Part "assets" means the total of the following:—

(*a*) the amount of cash in hand and with the Reserve Bank and the State Bank of India (including foreign currency notes which shall be converted at the market rate of exchange);

(*b*) the amount of balances with any bank, whether on deposit or current account, and money at call and short notice, balances held outside India being converted at the market rate of exchange:

Provided that any balances which are not realisable in full shall be deemed to be debts and valued accordingly;

(*c*) the market value, as on the day immediately before the appointed day, of any securities, shares, debentures, bonds and other investments, held by the bank concerned.

Explanation.—For the purposes of this clause,—

(*i*) securities of the Central and State Governments other than the securities specified in sub-clauses (*ii*) and

(*iii*) of this *Explanation*] maturing for redemption within five years from the appointed day shall be valued at the face value or the market value, whichever is higher;

(*ii*) securities of the Central Government, such as Post Office Certificates and Treasury Savings Deposit Certificates and any other securities or certificates issued or to be issued under the Small Savings Scheme of the Central Government, shall be valued at their face value or the encashable value of the market value, as on the day immediately before the appointed day, whichever is higher;

(*iii*) where the market value of any Government security such as the zamindari abolition bonds or other similar security in respect of which the principal is payable in instalments, is not ascertainable or is, for any reason, not considered as reflecting the fair value thereof or as otherwise appropriate, the security shall be valued at such an amount as is considered reasonable having regard to the instalments of principal and interest remaining to be paid, the period during which such instalments are payable, the yield of any security, issued by the Government to which the security pertains and having the same or approximately the same maturity, and other relevant factors;

(*iv*) where the market value of any security, share, debenture, bond or other investment is not considered reasonable by reason of its having been affected by abnormal factors, the investment may be valued on the basis of its average market value over any reasonable period;

(*v*) where the market value of any security, share, debenture, bond or other investment is not ascertainable, only such value, if any, shall be taken into account as is considered reasonable having regard to the financial position of the issuing concern, the dividend paid by it during the preceding five years and other relevant factors;

(*d*) the amount of advances (including loans, cash credits, overdrafts, bills purchased and discounted), and other debts, whether secured or unsecured, to the extent to which they are reasonably considered recoverable, having regard to the value of the security, if any, the operations on the account, the reported worth and respectability of the borrower, the prospects of realisation and other relevant considerations;

(*e*) the value of any land or buildings;

(*f*) the total amount of the premia paid, in respect of all leasehold properties, reduced in the case of each such premium by an amount which bears to such premium the same proportion as the expired term of the lease in respect of which such premium shall have been paid bears to the total term of the lease;

(*g*) the written down value as per books, or the realisable value, as may be considered reasonable, of all furniture, fixtures and fittings;

(*h*) the market or realisable value, as may be appropriate, of other assets appearing on the books of the bank, no value being allowed for capitalised expenses, such as share selling commission, organisational expenses and brokerage, losses incurred and similar other items.

Part II.—Liabilities

For the purposes of this Part "liabilities" means the total amount of all outside liabilities existing on the appointed day, and all contingent liabilities which the Central Government or the transferee bank may reasonably be expected to be required to meet out of its own resources on or after the appointed day and where the acquired bank is a banking company incorporated outside India, includes the liabilities of the offices and branches in India of the acquired bank to its offices and branches outside India.

2. If the acquired bank is not incorporated in India, the assets or, as the case may be, the liabilities of the bank shall be, for the purposes of Part I and Part II, and subject to the other provisions therein, the assets and liabilities of the offices of the bank situated in India.

COMPENSATION PAYABLE TO SHAREHOLDERS

3. Every shareholder of the acquired bank to whom the compensation is payable, shall be given such amount as compensation as bears to the total compensation, calculated in accordance with the provisions of paragraph 1, the same proportion as the amount of paid-up capital of the shares held by the shareholder bears to the total paid-up capital of the acquired bank.

CERTAIN DIVIDENDS NOT TO BE TAKEN INTO ACCOUNT

4. No separate compensation shall be payable for any profits or any dividend in respect of any period immediately preceding the appointed day, for which, in the ordinary course, profits would have been transferred or dividend declared after the appointed day.'.

CHAPTER III

AMENDMENTS TO THE RESERVE BANK OF INDIA ACT, 1934

2 of 1934.

Amendment of section 2.

23. In the Reserve Bank of India Act, 1934 (hereinafter in this Chapter referred to as the principal Act), in section 2,—

(*a*) to clause (*cii*), the following proviso shall be added, namely:—

"Provided that this sub-clause shall not apply to the admission of a co-operative bank as a member by reason of such co-operative bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose.";

(*b*) to clause (*ciii*), the following proviso shall be added namely:—

"Provided that this sub-clause shall not apply to the admission of a co-operative bank as a member by reason of such co-operative bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose.";

(*c*) to clause (*civ*), the following proviso shall be added, namely:—

"Provided that this sub-clause shall not apply to the admission of a co-operative bank as a member by reason of such co-operative bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose.".

Amendment of section 17.

24. In section 17 of the principal Act,—

(*1*) in the proviso to clause (*3A*)—

(*a*) for sub-clause (*b*) of clause (*i*), the following sub-clause shall be substituted, namely:—

"(*b*) maturing not later than one hundred and eighty days from the date of the loan or advance, and it will, so long as any part of such loans and advances remains unpaid, continue to hold such bills of exchange of a value not less than the amount of such loans or advances outstanding for the time being; or";

(*b*) for clause (*ii*), the following clause shall be substituted, namely:—

"(*ii*) it has granted a pre-shipment loan or advance to an exporter or any other person in India in order to enable him to export goods from India, the amount of the loan or advance drawn and outstanding at any time being not less than the outstanding amount of the loan or advance obtained by the borrowing bank from the Bank.";

(*2*) for clause (*11A*), substitute—

"(*11A*) the acting as agent for the Central Government,—

(*a*) in guaranteeing the due performance by any small-scale industrial concern, approved by the Central Government, of its obligations to any bank or other financial institution in respect of loans and advances made, or other credit facilities provided, to it by such bank or other financial institution and the making as such agent of payments in connection with such guarantee, and

(*b*) in administering any scheme for subsidising the rate of interest or other charges in relation to any loans or advances made, or other credit facilities provided, by banks or other financial institutions for the purpose of financing or facilitating any export from India and the making as such agent of payments on behalf of the Central Government;";

(*3*) in clause (*12*), for the words "gold coin and bullion", the words "gold or silver coins and gold and silver bullion" shall be substituted;

(*4*) after clause (*15A*), the following clause shall be inserted, namely:—

"(*15B*) the providing of facilities for training in banking and for the promotion of research, where, in the opinion of the Bank, such provision may facilitate the exercise by the Bank of its powers and functions, or the discharge of its duties.".

Amendment of section 24.

25. For section 24 of the principal Act, the following section shall be substituted, namely:—

Denominations of notes.

"24. (*1*) Subject to the provisions of sub-section (*2*), bank notes shall be of the denominational values of two rupees, five rupees, ten rupees, twenty rupees, fifty rupees, one hundred

rupees, five hundred rupees, one thousand rupees, five thousand rupees and ten thousand rupees or of such other denominational values, not exceeding ten thousand rupees, as the Central Government may, on the recommendation of the Central Board, specify in this behalf.

(2) The Central Government may, on the recommendation of the Central Board, direct the non-issue or the discontinuance of issue of bank notes of such denominational values as it may specify in this behalf.".

Amendment of section 33.

26. In section 33 of the principal Act, in sub-section (4), for the figures and word "2.88 grains", the figures and word "0·118489 grammes", and for the words "at the market rate", the words "at rates not exceeding the market rates" shall be substituted.

Amendment of section 45I.

27. In section 45I of the principal Act, to clause (c), the following *Explanation* shall be added, namely:—

"*Explanation.*—For the removal of doubts, it is hereby declared that a company registered under section 3 of the Insurance Act, 1938, for any class of insurance business and a company, not being a banking company, a corporation or a firm, carrying on, as its principal business, the management, conduct or supervision, as the foreman or agent, of any transaction or arrangement by which it enters into an agreement with a number of subscribers that every one of them shall subscribe a certain sum by instalments for a definite period and that each subscriber in his turn, as determined by lot or by auction or by tender or in such other manner as provided for in the agreement, shall be entitled to a prize amount shall be deemed to be, a financial institution as defined in this clause.".

4 of 1938.

Insertion of new section 54AA.

28. After section 54A of the principal Act, the following section shall be inserted, namely:—

Power of Bank to depute its employees to other institutions.

'54AA. (1) The Bank may, notwithstanding anything contained in any law for the time being in force or in any contract, depute any member of its staff for such period as it may think fit to any institution which is either wholly or substantially owned by the Bank, and thereupon the person so deputed shall, during the period of his deputation, render such service to the institution as that institution may require.

(2) Where a person has been deputed to an institution under sub-section (1), he shall not be entitled to claim any salary, emoluments and other terms and conditions of service which he would not have been entitled to claim if he had not been so deputed.

(3) Nothing contained in this section shall empower the Bank to depute any member of its staff to any institution on any salary, emoluments or other terms and conditions which is or are less favourable to him than that or those to which he is entitled immediately before such deputation.

(4) For the purposes of this section, an institution shall be deemed to be substantially owned by the Bank if in the capital of the institution the Bank has not less than forty per cent. share.

Explanation.—The word "capital" means, in relation to the Unit Trust, the initial capital of that Trust.'.

CHAPTER IV

AMENDMENTS TO THE STATE BANK OF INDIA ACT, 1955

Amendment of section 33.

29. In the State Bank of India Act, 1955 (hereinafter in this Chapter referred to as the principal Act), in section 33,— 23 of 1955

(*a*) in sub-clause (*f*) of clause (*i*), for the words "goods which are hypothecated", the words "goods or other assets which are hypothecated or assigned" shall be substituted;

(*b*) in clause (*xviii*), for the words "six months", the words "twelve months" shall be substituted;

(*c*) in clause (*xixb*),—

(*i*) for the words "the advancing or lending of money to", the words "the advancing or lending of money to, or discounting or purchase of any negotiable instrument on behalf of," shall be substituted;

(*ii*) for the words "in excess of six months but not exceeding ten years", the words "in excess of twelve months but not exceeding fifteen years" shall be substituted;

(*d*) in clause (*xixc*), for the words "six months", the words "twelve months" shall be substituted.

Amendment of section 34.

30. In section 34 of the principal Act,—

(*a*) in clause (*a*) of sub-section (*1*), for the words "six months", the words "twelve months" shall be substituted;

(*b*) in sub-section (*3*),—

(*1*) for sub-clause (*ii*) of clause (*b*) (excluding the proviso), the following sub-clause shall be substituted, namely:—

"(*ii*) save as otherwise provided in this Act, twelve months from the date aforesaid if the instrument or security is drawn or issued for any other purpose.",

(2) in the proviso, for the words "six months,", the words "twelve months," shall be substituted.

B. N. BANERJEE,
Secretary.

PRINTED IN INDIA BY THE GENERAL MANAGER, GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI AND PUBLISHED BY THE MANAGER OF PUBLICATIONS, DELHI. 1969